

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

The Board of Directors
Honasa Consumer Limited (formerly Honasa Consumer Private Limited)
10th & 11th Floor, Capital Cyberscape,
Ullahwas, Sector 59, Gurugram 122 102, Haryana, India

Dear Sir / Madam,

Statement of Special Tax Benefits available to Honasa Consumer Limited (formerly Honasa Consumer Private Limited) and its shareholders under the Indian tax laws

1. We hereby confirm that the enclosed Annexure 1 and 2, prepared by Honasa Consumer Limited (formerly Honasa Consumer Private Limited) (the "Company"), provides the special tax benefits available to the Company and to the shareholders of the Company under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act 2023, i.e. applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, as amended and presently in force in India (together, the "Direct Tax Laws") and Central Goods and Services Tax Act, 2017/ Integrated Goods and Services Tax Act, 2017 read with Rules, Circulars, and Notifications ("GST law"), the Customs Act, 1962, Customs Tariff Act, 1975 ("Customs law") and Foreign Trade Policy 2015-2020 and Foreign Trade Policy 2023 ("FTP"), each as amended and presently in force in India (collectively referred as "Indirect Tax Laws") and along with the Direct Tax Laws, the "Tax Laws"). Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.
2. The benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offer of the equity shares of the Company ("IPO").
3. We do not express any opinion or provide any assurance as to whether:
 - i) the Company or its shareholders will continue to obtain these benefits in future;
 - ii) the conditions prescribed for availing the benefits have been / would be met with; and
 - iii) the revenue authorities/courts will concur with the views expressed herein.
4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

5. This Statement is issued solely in connection with the proposed IPO and inclusion in the red herring prospectus and prospectus of the Issuer prepared under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended to be submitted / filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana at New Delhi (the “ROC”), Securities and Exchange Board of India, the BSE Limited and the National Stock Exchange of India Limited and is not to be used, referred to or distributed for any other purpose.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Rajeev Kumar

Partner

Membership Number: 213803

UDIN: 23213803BGXAOH2066

Place of Signature: Bengaluru

Date: October 13, 2023

ANNEXURE 1

THE STATEMENT OF SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND SHAREHOLDERS OF THE COMPANY

DIRECT TAXATION

Outlined below are the special tax benefits available to the Company and its Shareholders under the Income-tax Act, 1961 ('the Act') as amended by the Finance Act 2023, i.e., applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, as amended and presently in force in India (together, the "Direct Tax Laws").

A. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

1. Lower corporate tax rate under section 115BAA of the Act

A new section 115BAA has been inserted in the Act by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 (A.Y. 2020-21). Section 115BAA grants an option to a domestic company to be governed by the section from a particular assessment year. If a company opts for section 115BAA of the Act, it can pay corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and education cess of 4%). Section 115BAA of the Act further provides that domestic companies availing the option will not be required to pay Minimum Alternate Tax (MAT) on their 'book profits' under section 115JB of the Act.

However, such a company will no longer be eligible to avail specified exemptions/ incentives under the Act and will also need to comply with the other conditions specified in section 115BAA. Also, if a company opts for section 115BAA, the tax credit (under section 115JAA), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

The Company has decided to opt for the lower corporate tax rate of 25.168% (prescribed under section 115BAA of the Act) with effect from FY 2020-21.

2. Deduction in respect of inter-corporate dividends – Section 80M of the Income-tax Act, 1961

Up to 31st March, 2020, any dividend paid to a shareholder by a company was liable to Dividend Distribution Tax ("DDT"), and the recipient shareholder was exempt from tax. Pursuant to the amendment made by the Finance Act, 2020, DDT stands abolished and dividend received by a shareholder on or after 1st April, 2020 is liable to tax in the hands of the shareholder. The Company is required to deduct Tax Deducted at Source ("TDS") at applicable rate specified under the Act read with applicable Double Taxation Avoidance Agreement (if any).

With respect to a resident corporate shareholder, a new section 80M has been inserted in the Act to remove the cascading effect of taxes on inter-corporate dividends during FY 2020-21 and thereafter. The section provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

B. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

1. Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not, surcharge would be restricted to 15%, irrespective of the amount of dividend.
2. As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 10% (without indexation) of such capital gains subject to fulfilment of prescribed conditions under the Act as well as per Notification No. 60/2018/F. o.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed ₹ 1,00,000.
3. Section 112 of the Act provides for taxation of long-term capital gains.
In case of a domestic company/ resident, amount of income-tax on long-term capital gains arising from the transfer of a capital asset shall be computed at the rate of 20%.

In case of non-resident (not being a company) or a foreign company, the amount of income-tax on long-term capital gains arising from the transfer of a capital asset (being unlisted securities or shares of a company not being a company in which the public are substantially interested) shall be calculated at the rate of 10% without giving effect to the first and second proviso to section 48.

Further, where the tax payable is payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities (other than a unit) or zero coupon bond, then such income will be subject to tax at the rate of 10% of the amount of capital gains before giving effect to the provisions of the second proviso to section 48.

As per Section 111A of the Act, short term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% subject to fulfilment of prescribed conditions under the Act.

Except for the above, the Shareholders of the Company are not entitled to any other special tax benefits under the Direct Tax Laws.

Notes:

1. The above statement of direct tax benefits (“**Statement**”) sets out the special tax benefits available to the Company and its shareholders under the Direct Tax Laws.
2. This Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
3. This Statement does not discuss any tax consequences in the country outside India of an investment in the Shares. The subscribers of the Shares in the country other than India are urged to consult their own professional advisers regarding possible income-tax consequences that apply to them.
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above may be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
5. The above Statement covers only above-mentioned tax laws benefits and does not cover any indirect tax law benefits or benefit under any other law.

Our views expressed in this Statement are based on the facts and assumptions as indicated in this Statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

For Honasa Consumer Limited (formerly Honasa Consumer Private Limited)

Ramanpreet Sohi
Chief Financial Officer

Place: Gurugram
Date: October 13, 2023

ANNEXURE 2

STATEMENT OF SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

Indirect Taxation

Outlined below are the special tax benefits available to the Company and its shareholders under the Central Goods and Services Tax Act, 2017/ Integrated Goods and Services Tax Act, 2017 read with Rules, Circulars, and Notifications (“GST law”), the Customs Act, 1962, Customs Tariff Act, 1975 (“Customs law”) and Foreign Trade Policy 2015-2020, Foreign Trade Policy 2023 read with Procedures, Public/ Trade Notices, and Notifications (collectively, the “FTP”) (collectively referred as “Indirect Tax Laws”).

I. Special tax benefits available to the Company

1. Benefits of zero-rating under the GST laws:

Under the GST regime, supplies of goods or services or both which qualify as ‘export’ of goods or services are zero-rated supplies which can be supplied either with or without payment of Integrated Goods and Services Tax (IGST), subject to fulfilment of conditions prescribed.

As per the provisions of section 16 of the Integrated Goods and Services Tax Act, 2017 read with section 54 of Central Goods and Services Tax Act, 2017, the exporter has the option either to undertake exports

- a. under cover of a Bond/ Letter of Undertaking (LUT) without payment of IGST and claim refund of accumulated input tax credit, subject to fulfilment of conditions prescribed for export, or
- b. with payment of IGST and claim refund of IGST paid on such exports.

2. Benefits of Duty Drawback scheme under Section 75 of the Customs Act, 1962:

As per Section 75 of the Customs Act, 1962, the Central Government is empowered to allow duty drawback on export of goods, where the imported materials are used in the manufacture of such goods. The Company avails such duty drawback benefit made available under the said section.

II. Special tax benefits available to Shareholders

The Shareholders of the Company (in such capacity) are not entitled to any special tax benefits under the Indirect Tax Laws.

Notes:

1. The above Statement of Special Indirect Tax Benefits sets out the special tax benefits available to the Company and its shareholders under the Indirect Tax Laws mentioned above.
2. The above Statement covers only above-mentioned tax laws benefits and does not cover any special tax law benefits under Direct Tax Laws or benefit under any other law.
3. This Statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

4. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

For Honasa Consumer Limited (formerly Honasa Consumer Private Limited)

Ramanpreet Sohi
Chief Financial Officer

Place: Gurugram
Date: October 13, 2023